

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION  
DAMAGE ASSESSMENT, REMEDIATION, AND RESTORATION PROGRAM**

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**GENERAL COUNSEL FOR NATURAL RESOURCES SECTION  
FISCAL YEAR 2011 INDIRECT COST RATE**



*Answers Questioned*

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## CONTENTS

<b>Section</b>	<b>Page</b>
Background	1
Financial Management System	1
Indirect Cost Allocation Methodology	2
<b>Exhibit</b>	
Fiscal Year 2011 DARRP Indirect Cost Rate	5
<b>Schedules</b>	
1 Fiscal Year 2011 DARRP Costs by Task Code	6
2 Fiscal Year 2011 DARRP Costs by Object Class	10

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Cotton & Company LLP is under contract with the National Oceanic and Atmospheric Administration (NOAA) to develop an indirect cost rate for recovering General Counsel for Natural Resources Section (GCNRS) indirect costs incurred for restoration of injured natural resources.

The purpose of this report is to provide GCNRS with the results of Cotton & Company's review of Fiscal Year (FY) 2011 costs and our development of an indirect cost rate for Damage Assessment, Remediation, and Restoration Program (DARRP) costs in that section. This document describes our methodology and presents the GCNRS FY 2011 indirect cost rate in the exhibit, followed by supporting schedules detailing costs by task and by object class. This rate will be used to determine indirect damage assessment and restoration costs allocable to specific cases for cost-recovery purposes.

**BACKGROUND**

NOAA has statutory authority to protect and restore the nation's coastal and marine resources. This authority includes the Comprehensive Environmental Response, Compensation, and Liability Act; Oil Pollution Act (OPA) of 1990; Federal Water Pollution Control Act; and National Marine Sanctuaries Act. These laws provide for recovery of restoration costs from parties potentially responsible for injuring natural resources and their services.

To fulfill its responsibility as a natural resource trustee under this legislation, NOAA established the DARRP. DARRP's mission is to assess damages and restore marine and coastal resources injuries resulting from hazardous substance or oil spills, as well as ship groundings caused by responsible parties. This mission is accomplished through conducting Natural Resource Damage Assessments (NRDA). DARRP is comprised of three NOAA component organizations: the Office of Response and Restoration within the National Ocean Service, the Restoration Center within the National Marine Fisheries Service, and GCNRS.

**FINANCIAL MANAGEMENT SYSTEM**

GCNRS's costs reside in NOAA's financial management system, Commerce Business Systems (CBS). CBS identifies costs by financial management centers (FMC), task codes, and object classification codes. FMCs are groups of organizations that control funding activities. GCNRS's FY 2011 costs were accumulated under FMC 102 (the Office of General Counsel).

DARRP organizations assign each NRDA case, as well as other projects and activities, with one or more unique task codes. GCNRS tracks both labor and non-labor costs by task code. Object classification codes identify the type of cost (such as salaries, travel, and contracts).

GCNRS uses task codes to accumulate its indirect costs associated with DARRP. These are costs for general and administrative activities that support, sustain, or enhance the DARRP mission. Examples of such activities include:

- Employee recruiting and training.
- General budget formulation, monitoring, analysis, and reporting.
- Non-case-specific management and staff meetings on administrative matters.
- General cost accounting, computer support, and secretarial support.
- General records management and database support.
- General program policy and development.
- Techniques and methods development.

NOAA applies internal burden (overhead) rates to labor costs in CBS to recover agency overhead from each FMC for leave, benefits, and management and support costs. NOAA's overhead rate components and bases of application follow:

- **Leave Surcharge** is applied to labor costs and includes costs for administrative, annual, and sick leave.
- **Personnel Benefits** is applied to labor and leave costs. This includes payroll taxes, civil service retirement, health benefits, life insurance, regular employer retirement contributions, Federal Insurance Contributions Act payments, and Federal Retirement Service thrift savings plan basic and matching contributions.
- **NOAA Administrative Support** is applied to labor and leave costs. It includes costs incurred by NOAA's executive, line, and other supporting offices. These costs are associated with administrative functions such as personnel, training, procurement, telecommunications, operations, storage, mail, housekeeping, and other common services.

#### **INDIRECT COST ALLOCATION METHODOLOGY**

We developed the indirect cost rate methodology using generally accepted accounting principles, Cost Accounting Standards, and Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government. The following principles are inherent in this allocation method:

- The costing methodology for identifying and allocating costs as direct or indirect is consistently applied.
- The allocation base that best approximates benefits accruing to cost objectives is selected.
- All items properly included in the allocation base are included and receive their share of indirect costs.
- Indirect costs are assigned to cost objectives on a cause-and-effect basis or by allocating on a reasonable and consistent basis.

To develop the indirect cost rate, we:

- Obtained an understanding of GCNRS procedures for documenting DARRP costs, including its financial management system and business practices.

- Obtained downloads of FY 2011 GCNRS cost transactions and performed tests to verify the completeness and accuracy of these downloads.
- Identified costs incurred on DARRP tasks with the assistance of GCNRS personnel.
- Identified DARRP task codes as either direct or indirect and accumulated related costs in these categories.

In addition, we adjusted costs as necessary to ensure the accuracy and completeness of the indirect cost pool and base. Adjustments to GCNRS costs are described below:

- Labor cost downloads did not include NOAA internal burden charges. We applied applicable NOAA leave and benefit rates to both direct and indirect labor costs. We applied NOAA administrative support and General Services Administration (GSA) rent rates to indirect labor costs for inclusion in the indirect cost pool.
- Labor cost downloads did not include the cost of compensatory travel time earned. We calculated compensatory travel time costs by task, based on employee timesheets and labor rates, and included these costs in the indirect cost pool and/or base.
- I.M. Systems Group, Inc. (IMSG), a commercial contractor, performed damage assessment and restoration work that benefited GCNRS tasks. IMSG personnel work in NOAA offices. We obtained IMSG time reports and calculated the cost of direct time spent on DARRP tasks. We included direct IMSG labor costs in the direct labor base.
- We excluded from the indirect cost pool all GCNRS tasks that did not benefit the DARRP program, or for which the benefit to the DARRP program could not be measured. To the extent that management and support costs were allocable to these tasks, we excluded those costs from the indirect cost pool.
- We excluded from the indirect cost pool and base all costs allocable to the Office of National Marine Sanctuaries (ONMS). A separate GCNRS indirect cost rate is developed for ONMS cost recovery actions.

SFFAS No. 4, Paragraph 124, states that costs should be allocated using one of the following three methods:

1. Directly tracing costs (wherever economically feasible).
2. Assigning costs on a cause-and-effect basis.
3. Allocating costs on a reasonable and consistent basis.

It is not practical or feasible to directly assign DARRP indirect costs to final cost objectives. We consider direct labor costs an appropriate base for allocating DARRP indirect costs to benefiting activities. We calculated the FY 2011 indirect cost rate with direct labor costs as a base.

We performed our work in accordance with *Statements on Standards for Consulting Services* promulgated by the American Institute of Certified Public Accountants. We did not review or evaluate NOAA's internal burden rates. Because the indirect cost allocation methodology used to develop the

indirect cost rate does not constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on GCNRS's financial statements or its indirect cost rate. This report relates only to the accounts and items specified in the attached exhibit and schedules, and does not extend to any financial statement of NOAA.

The information contained in this report is intended solely for the purposes described in the first section of this report and should not be used for any other purpose.

COTTON & COMPANY LLP



Colette Y. Wilson, CPA  
Partner

August 28, 2012

EXHIBIT

GENERAL COUNSEL FOR NATURAL RESOURCES SECTION  
FISCAL YEAR 2011 DARRP INDIRECT COST RATE

Total Indirect Costs	\$673,560
Less:	
Indirect Costs Allocable to Non-DARRP Activities	(58,503)
Indirect Costs Allocable to ONMS Activities	(23)
Net Indirect Costs	<u>\$615,034</u>
Direct Labor Base*	<u>\$2,933,561</u>
Indirect Cost Rate	<u>20.97%</u>

\*Direct labor base excludes costs charged to Object Class 1157 (Holiday Pay).

**SCHEDULE 1**

**GENERAL COUNSEL FOR NATURAL RESOURCES SECTION  
FISCAL YEAR 2011 DARRP COSTS BY TASK CODE**

<b>Task Code</b>	<b>Task Code Description</b>	<b>Direct Labor Costs</b>	<b>Other Direct Costs</b>	<b>Indirect Costs</b>	<b>Total</b>
J8K3N03PGD	General Management and Admin Support			\$452,413	\$452,413
J8K3N03PDM	DARRP Management and Admin Support			121,895	121,895
J8K3N03PGW	General Training and Non-Case Workshops			39,576	39,576
1CK3FARPDM	DARRP Management and Admin Support			19,568	19,568
J8K3N03PDT	DARRP Training			12,375	12,375
J8PFXCSP00	Miscellaneous Common Services			8,272	8,272
J8K3N03PDP	DARRP Program Policy and Development			4,703	4,703
H8K3N03P00	CPRD Base			3,756	3,756
J8K3N03P9B	Coastal Protection and Restoration			2,913	2,913
J8K3N03P00	CRPRD Base			2,698	2,698
J8K3N03PFF	General FOIA Response			2,234	2,234
J8K3N03PGR	General Research and Methods Development			1,992	1,992
J8K3ENAN00	NRDA Management and Admin Support (GCNR) – Telecom			627	627
J8K3N03P40	ORR – Coastal Preservation and Restoration			434	434
J8K3RAPP00	Damage Assessment			113	113
H8K3N03PGD	General Management and Admin Support			4	4
J8K3ENAP00	NRDA Management and Admin Support (GCNR)			4	4
H8K3ENAN00	NRDA Management and Admin Support			(17)	(17)
17K3EM6P00	Deepwater Horizon Incident	\$1,625,490	\$406,323		2,031,813
J8PDHLS00	Deepwater Horizon Litigation Support	473,190	87,296		560,486
1CK3GBPP00	Dolphin Health Assessment	293,764	77,447		371,211
J8K3N03PMC	Miscellaneous DARRP Case Charges	84,671	14,343		99,014
J8K3N03P7Y	Duwamish River Oversight Trustee	45,205	10,465		55,670
1CK3G29P00	Portland Harbor Phase II	33,101	10,158		43,259
17K3EM4P00	Enbridge Energy K'Zoo Oil Spill	31,217	7,487		38,704
17K3EK1P00	SF Bay, Cosco Buson Oil Spill	24,767	5,774		30,541
2CK3L32P00	Commencement Bay Settlement	22,625	3,829		26,454
J8K3N03PRB	Duwamish River NRD Seattle/Bluefields	17,151	3,860		21,011
17K3EF8P00	Athos	13,836	3,504		17,340
J8K3N03P5M	Litigation GM Messena	11,709	1,850		13,559
J8K3N03P05	Grand Cal/Mtl Bk	10,076	1,703		11,779
J8K3N03PSM	St Lawrence River At Massena, NY, NRD	9,405	1,986		11,391
J8K3N03P1B	Roanoke River – Albermarle Sound/NRT	8,944	1,512		10,456
17K3ED5P00	San Mateo Luckenbach Oil Spill	8,925	2,190		11,115
J8K3N03PX4	Sheboygan Harbor and River	8,657	1,463		10,120
17K3EM6PMM	TWG Mammals	8,368	2,007		10,375
17K3EG3P00	Buzzards Bay/Bouchard 120 Oil Spill	8,050	1,912		9,962
J8K3N03PBN	Trustee DA	7,467	1,299		8,766
J8K3N03P3Y	ITT Rayonier Trustee	7,434	2,880		10,314
J8K3N03P3R	Portland Harbor	7,191	1,215		8,406
J8K3N03PHR	Hudson River Pcb's, NY, FOIA	7,178	1,213		8,391



Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
J8K3N03P07	Industrial-Plex, MA NRD/Trustee	7,125	1,205		8,330
J8K3N03P15	Nyanza Restoration	6,263	1,058		7,321
1CK3G27P00	Passaic – 21 Companies Future Restoration	6,210	1,094		7,304
J8K3N03P68	6th Street Dump Trustee	6,005	1,021		7,026
1CK3GDWP00	Deepwater Total Value Study	5,844	966		6,810
J8K3N03PW7	Newtown Creek Oil Spill, NY NRD	5,803	981		6,784
2CK3LNBP00	New Bedford Harbor Restoration	5,761	997		6,758
J8K3N03PV1	Cargill Tampa Bay, FL, NRDA	5,450	923		6,373
J8K3N03P30	Lower Duwamish NRD – De Minimis Parties	5,345	904		6,249
1CK3G10P00	NPRD River Restoration	4,965	839		5,804
J8K3N03P65	Green Bay/Fox River	4,883	2,214		7,097
J8K3N03PGZ	Cornell-Dubilier, NJ, NRD/Trustee	4,827	820		5,647
J8K3N03P1L	Hudson River Litigation Support	4,716	797		5,513
J8K3N03PDY	Lower Duwamish, NRD City Of Seattle	4,665	789		5,454
J8K3N03PEV	Exxon Valdez, AK, Trustee Council	4,540	768		5,308
2CK3M8AP00	MSRP Trustee Council Operating Budget	4,132	699		4,831
J8K3N03PTF	Comm Bay, WA, NRDA – Thea Foss	3,446	607		4,053
J8K3N03PGB	Green's Bayou	3,440	582		4,022
J8K3N03PMS	Malone Services Inc., Texas City, TX	3,232	547		3,779
J8K3N03PDS	Star Lake Lodge, TX	3,209	542		3,751
17K3EJ3P00	LA TB DBL 152	3,185	765		3,950
17K3EE2P00	Evergreen/Cooper River, Charleston, SC NRD	3,161	775		3,936
J8K3N03PYQ	Calhoun Park/Nrt, SC	3,036	525		3,561
J8K3N03P9G	CIBA – Mcintosh Plant, AL, NRDA	2,536	430		2,966
17K3EM3P00	Voge Trader Grounding Oahu HA	2,457	586		3,043
1CK3GRUP00	Deepwater Rec Lost Use Assessment	2,319	392		2,711
2CK3M12P00	Rose Hill Restoration	2,269	383		2,652
17K3EE5PDA	Damage Assessment, NRDA	2,191	481		2,672
J8K3N03P84	Hudson River Trustee	2,124	359		2,483
J8K3N03PPS	Duwamish River, NRD for Port Of Seattle	2,120	1,086		3,206
1CK3GCNP00	Deepwater General Non-Cooperative	1,959	331		2,290
J8K3N03PHG	Holyoke Gas	1,903	321		2,224
J8K3N03PW2	Wyckoff Facility GW	1,880	661		2,541
2CK3M63P00	Casitas – Restoration	1,747	295		2,042
2CK3L88PEW	Mulberry Estuarine Restoration Project	1,743	295		2,038
J8KDHERPWH	Deepwater Horizon, FOIA (GCNR)	1,714	290		2,004
17K3EL7P00	Dubai Star Oil Spill	1,695	415		2,110
J8K3N03P61	N L Industries	1,661	281		1,942
J8K3N03P13	PH Raydnier Mill Site Port Angeles NRDA	1,633	276		1,909
J8K3N03PDJ	Duwamish River NRD, Jorgenson Forge	1,591	269		1,860
17K3EJ5P00	Bermuda Island, Delaware Bay, DE	1,537	376		1,913
2CK3M36P00	Iron Mountain Mine Restoration	1,409	238		1,647
J8K3N03PL2	Atlantic Wood Industries, Inc.	1,395	236		1,631
2CK3L62PTR	Trustee Oversight – Settlement	1,375	233		1,608
J8K3N03P56	Trustee – Combe LFS, NJ	1,351	228		1,579
J8K3N03PCC	Castro Cove/Chevron Richmond	1,286	217		1,503
J8K3N03PCM	Commencement Bay	903	152		1,055
J8K3N03PHF	Hanford	873	173		1,046

Task Code	Task Code Description	Direct Labor Costs	Other Direct Costs	Indirect Costs	Total
J8K3N03PKH	Bayou Verdine Trustee	838	144		982
J8K3N03PX1	LCP Honeywell	805	136		941
2CK3L61PZZ	Buzzards Bay B-120 – Non-Recoverable	784	133		917
J8K3N03PDU	Dupont Beaumont Region 6	775	131		906
J8K3N03PY5	Duwamish River, WA, NRD, Boeing	558	95		653
J8K3N03P6L	Koppers-Chs Trustee	550	93		643
J8K3N03PFL	Fox River Litigation	547	93		640
J8K3N03PCK	Piles Creek, NRD	505	85		590
17K3EF5P00	Cape Flattery	467	107		574
H8K3N03PMC	Miscellaneous DARRP Case Charges	463	78		541
J8K3N03PMW	Comm Bay NRDA – Hylebos, Murray Pacific	409	69		478
17K3EM6PTT	TWG Turtles	341	81		422
J8K3N03P25	Kerr Mcgee Chem Co Navassa NC, SF	329	55		384
1CK3G32P00	PH Navigational Claims Assessment	320	54		374
J8K3N03P31	Lower Duwamish NRD – Crowley Marine	313	53		366
J8K3N03PSR	Star Lake Canal	303	52		355
J8K3N03P42	Lower Duwamish NRD – Todd	261	45		306
J8K3N03P71	Brio/Dixie	256	43		299
2CK3MCMP00	Cape Mohican Restoration	250	42		292
17K3EH9P00	Casitas Grounding	246	58		304
17K3EL9P00	T/V Matthew Grounding, PR	241	58		299
J8K3N03P46	Ashtabula Trustee	233	40		273
J8K3N03PC7	Berry's Creek (W)	215	36		251
2CK3L65P00	Boeing – Settlement	209	36		245
2CK3L53P00	Palmerton Zinc	205	35		240
2CK3L59P00	Bayou Verdine Settlement	185	31		216
J8K3N03PXT	Citgo Litigation Support	175	29		204
17K3EL8P00	T/V Port Stewart, Yabucoa, PR	132	43		175
J8K3N03PLW	Duwamish River, NRD/Trustee For Lockheed	132	22		154
J8K3N03PAB	Duwamish River, WA, NRD, Todd Shipping	129	22		151
1CK3G26P00	Passaic – Tierra Company Future Restoration	109	19		128
J8K3N03PKJ	Bayou D'Inde	109	19		128
17K3EL2P00	Port Of Richmond, Terminal 4	105	25		130
2CK3M31P00	Bayou Verdine Settlement	103	17		120
1CK3G11P03	Willbridge Cove	87	15		102
J8K3N03PDH	Dupont Hay Road Restoration, DE	87	15		102
J8K3N03PNM	Macalloy Corporation, SC, Non-Recoverable	76	12		88
2CK3L26P00	Spectron Restoration	66	11		77
1CK3G11P02	Injury Assessment City of Portland	59	10		69
17K3EB9P00	Beaver Creek Oil Spill	58	14		72
17K3EM1P00	Adak Oil Spill, Alaska	58	14		72
2CK3M62PTR	Athos Restoration	58	10		68
J8K3N03PXM	Exxon Mobil, Charleston, SC-NRDA	53	9		62
17K3EF7P00	Foss Barge/Pt. Wells NRDA	29	7		36
J8K3N03P14	PH Linton/Wildlands Restoration, NRDA	29	5		34
J8K3N03P9F	L.A. Clarke and Son, VA, NRD	29	5		34
2CK3L69PBU	Tampa Bay Beach Use	27	5		32
J8K3N03PDK	Duwamish River NRD Seattle – King County	27	5		32

<b>Task Code</b>	<b>Task Code Description</b>	<b>Direct Labor Costs</b>	<b>Other Direct Costs</b>	<b>Indirect Costs</b>	<b>Total</b>
17K3EH4P00	Chevron		41		41
2CK3M8CP00	MSRP Operating Budget		35,000		35,000
H8K3N03P7Y	Duwamish River Oversight Trustee		1,433		1,433
H8K3N03PSM	St. Lawrence River		222		222
18K3E8BPR1	Southern California Restoration Implementation		(63)		(63)
	<b>Total</b>	<b><u>\$2,933,680</u></b>	<b><u>\$719,987</u></b>	<b><u>\$673,560</u></b>	<b><u>\$4,327,227</u></b>

**SCHEDULE 2**

**GENERAL COUNSEL FOR NATURAL RESOURCES SECTION  
FISCAL YEAR 2011 DARRP COSTS BY OBJECT CLASS**

<b>Object Class</b>	<b>Object Class Description</b>	<b>Direct Labor Costs</b>	<b>Other Direct Costs</b>	<b>Indirect Costs</b>	<b>Total</b>
1112	General Schedule, General Merit, Senior Executive Service and Presidential Appointees	\$1,431,234		\$301,539	\$1,732,773
1130	Full-Time with Temporary Appointment	351,362		27,888	379,250
1157	Holiday Pay	119			119
1160	Leave Surcharge Full-Time Permanent Appointments	417,125		77,322	494,447
1181	Credit Hours Earned	51,934		13,131	65,065
1182	Compensatory Leave Earned	38,445		1,079	39,524
1210	Employer's Contribution Surcharge	585,126		108,464	693,590
2140	Expenses Related to Domestic Travel – Paid Directly to the Traveler		\$46,998	14,605	61,603
2143	Expenses Related to Domestic Travel – Paid Directly to Vendors		22,519	10,668	33,187
2213	All Other Transportation of Things		12	129	141
2319	Rental Payments to GSA		237,658	37,879	275,537
2337	Telecommunications FTS Services			610	610
2338	Telecommunications Local Services		4,877		4,877
2526	Other Training by University or Other Non-Federal Source			619	619
2527	Miscellaneous Contractual Services Not Otherwise Classified	20,821	1	12,211	33,033
2535	All Other Services of Federal Agencies			9,024	9,024
2536	Fund Transfers Between Financial Management Centers For Services		413		413
2618	Purchases of ADP Supplies		(63)		(63)
2619	Purchases		3,339		3,339
3123	Non-Capitalized ADP and Telecommunications Equipment		8,282	4,701	12,983
9876	General Support		279,225	52,190	331,415
111250	Adjustment to Personnel Compensation – ABCO			1,007	1,007
118201	BIS Compensatory Leave Earned	37,514		494	38,008
231920	Distributed Rent to Reimbursable by Rates		116,726		116,726
	<b>Total</b>	<b>\$2,933,680</b>	<b>\$719,987</b>	<b>\$673,560</b>	<b>\$4,327,227</b>